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Department of Housing and Community Development
Fiscal Year 2025 Capital Budget

Response to Department of Legislative Services Analysis

House Appropriations Committee
Capital Budget Subcommittee
Delegate Mark Chang, Chair

February 26, 2024

Senate Budget and Taxation Committee
Capital Budget Subcommittee
Senator Craig J. Zucker, Chair

February 27, 2024

DLS Recommendations and Response

1. DLS Recommendation: PAYGO Recommended Actions - Delete Business Façade Improvement Program Funding (Page 8)

The Department of Legislative Services (DLS) recommends deleting the \$5.0 million in general funds that are contingently reduced. The Business Façade Improvement Program would remain fully funded with \$5.0 million in GO bonds.

DHCD Response:

In response to DLS' recommendation to delete \$5 million in general funds for the Business Façade Improvement Program, the Department concurs that the source of funding for the Business Façade Improvement Program change to GO bonds, per the Budget Reconciliation Act of 2024.

2. DLS Recommendation: GO Bond Recommended Actions - Reduce funding for the Baltimore Regional Neighborhood Initiative (Page 17)

DLS recommends reducing GO bond funding for BRNI by \$15 million to the mandated level of \$12 million due to competing priorities for funding.

DHCD Response:

The Department respectfully disagrees with the recommendation to reduce BRNI funding. DHCD programmatic investments in Baltimore represent complementary and not competing investment priorities. The BRNI program is a critical complement to Project C.O.R.E. in Baltimore City, transforming decay and vacancy into new housing, retail and commercial opportunities. Now is the time to invest at scale for impact. Declines in Baltimore's population have severely depressed residential home values, creating appraisal gaps that stymie further investment. BRNI provides the critical support to move projects from concept into development. Maryland can and must double down now so that Baltimore can reach its potential as Maryland's economic engine. Incremental funding has made progress, but is not keeping pace with demand for investment that can and will change the market dynamics in whole neighborhoods and business districts.

Launched in FY15, BRNI supports projects sponsored by 21 nonprofit Community Development Organizations that are located in Sustainable Community Areas in Baltimore City and the older inner beltway communities of Baltimore and Anne Arundel counties. Funding requests for high impact BRNI capital projects greatly exceed available funding. For example, in FY 24, BRNI had \$38 million requested vs. \$12 million in available funding. If the program is funded at \$27 million as proposed by the Governor, BRNI will create more than 1,800 jobs, generate \$7 million in tax revenue, leverage more than \$6 for every \$1 in state funding, and create over \$306 million in total economic impact to the state.



While BRNI projects vary substantially in size, the average project size is \$270,000. As a result, the Department anticipates supporting approximately 100 projects if the program is fully funded in FY 25. The reduction in funding proposed by the analyst would result in only about half as many of these projects being supported in FY25 and at lower funding levels. Examples of the catalytic projects funded in the Fiscal Year 2024 round include

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- Central Baltimore Partnership: \$250,000 for Penn Station renovation.
- Cherry Hill CDC: \$225,000 to renovate vacant and neglected homes.
- CHAI/ Northwest Partnership: \$250,000 for expansion of Park West Health System.
- Coppin Heights CDC: \$250,000 for West North Avenue Housing Renovations for homeownership.
- Druid Heights CDC: \$525,000 for homeownership expansion.
- Park Heights Renaissance: \$120,000 for Legacy Homeowner Renovations.
- Upton Planning Committee: \$330,000 for The AFRO Archives at Upton Mansion.

While the increased investment into eliminating abandoned buildings through Project C.O.R.E. will address 765 vacant units in the city, Baltimore's full potential can't be reached without the complementary work of the Baltimore Regional Neighborhood Initiative.



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